

TOWNSHIP OF LOWER MERION

2026 Sanitary Sewer Fund Forecast



Finance Committee
April 8, 2026





Overview of Sanitary Sewer Fund

- Sanitary Sewer Fund (SSF) is an enterprise fund
 - User fees (sewer rate) set at full cost recovery
- Township Code (Chapter 126) requires the Board to set annual Sanitary Sewer Rental Fee (SSRF) to cover annual projected operating expenses plus:
 - Debt service (principal and interest)
 - 10% SSF fund balance reserve
- SSRF is based on prior year water consumption readings provided by Aqua
 - 2026 Sanitary Sewer billing is based on 2025 water consumption data



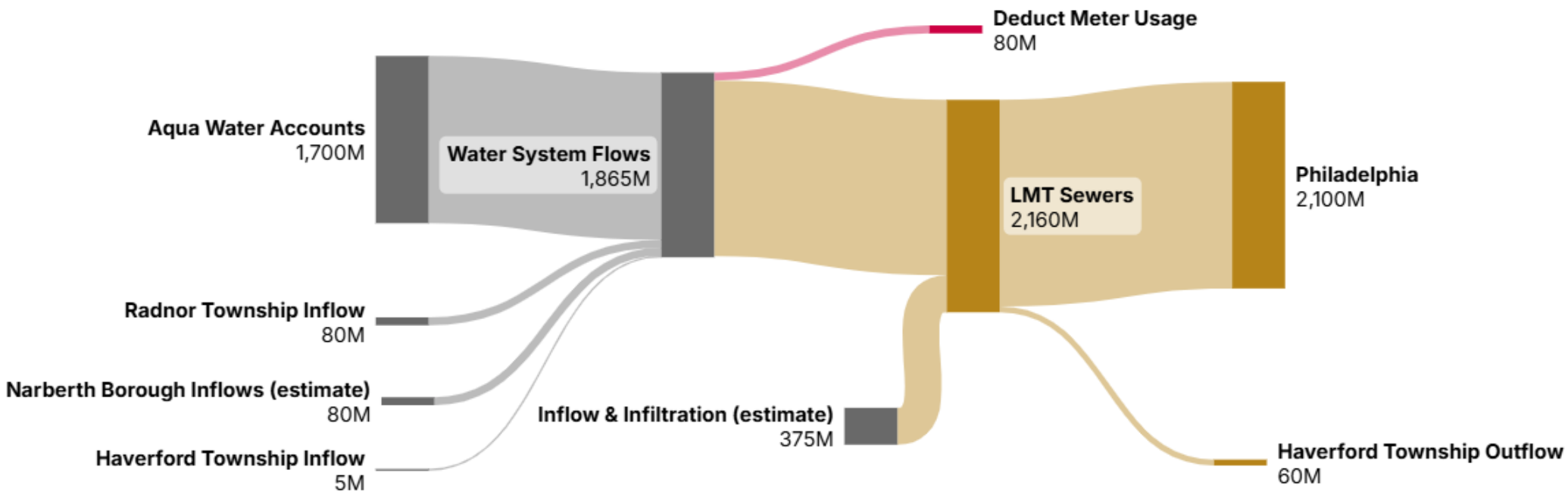
Overview of Sanitary Sewer System

- Public Works Sanitary Sewer Division (18 FTE) maintains over 235 miles of sewer lines and 17 pump stations throughout the Township
- Supervises and inspects all sanitary sewer construction and new lateral connections to the sewer system
- Cleans and inspects the sanitary sewer system
- Perform a wide range of maintenance activities including:
 - Grouting sewer lines to prevent water infiltration
 - Maintaining aging sewer lines via slip lining and other cost-effective methods
- Currently billing approximately 16,700 accounts annually



Overview of Sanitary Sewer System

- Water flows into the LMT sewer system originate from public water accounts, flow from other municipalities, and inflow and infiltration.



*Estimated flows in gallons



Sanitary Sewer Fund Revenues

- 2026 projected operating revenues at current sewer rental rate (\$4.51 per 1,000 gallons) would be \$9.08 million; a \$370k (4.0%) decrease from 2025 due to billable water consumption decline and an increase in certain one-time revenues in 2025
 - SSRF primary source of revenue (\$7.1 - \$7.6 million annually depending on billable consumption volume)
 - Credit provision for customers diverting water from sewer system (special meters)
 - Strong collection rate over 75% paid in discount period; Township usually collects around 100% of flat billing due to payments made during penalty periods
 - Other revenue derived from charges for services (connection fees, revenue from other municipalities), investment income and other sources



Sanitary Sewer Rental Fee – Billable Volume

- 2026 billable water consumption decreased by 2.6% vs 2025
- 2026 billable gallons reflects water consumption for the period of 1/1/2025 - 12/31/2025

Year	Billable Gallons (Mgal)	Mgal Inc/(Dec)	% Inc/(Dec)
2017	1,608	(92)	-5.4%
2018	1,610	2	0.1%
2019	1,592	(18)	-1.1%
2020	1,559	(33)	-2.1%
2021	1,616	57	3.7%
2022	1,622	6	0.4%
2023	1,607	(15)	-0.9%
2024	1,578	(29)	-1.8%
2025	1,667	89	5.6%
2026	1,624	(43)	-2.6%



Sanitary Sewer Fund Expenses

- The fund's largest annual expense is sewage disposal paid to the Philadelphia Water Department (PWD) for processing Township flows at the Southwest Water Pollution Control Plant (SW-WPCP).
- Township pays PWD based on total flow and conversion of that flow to charges for TSS (Total Suspended Solids) and BOD (Biochemical Oxygen Demand) based on sampling results
 - TSS = measure of how much stuff is in the water
 - BOD = measure of organic oxygen-demanding material
- Higher TSS and BOD result in increase processing costs in treatment plants.
- Billing for TSS and BOD involves converting flow volume to pounds through "fixed factors" based on historic data or water sampling. Same factors have been in place for more than a decade.



Sanitary Sewer Fund Expenses

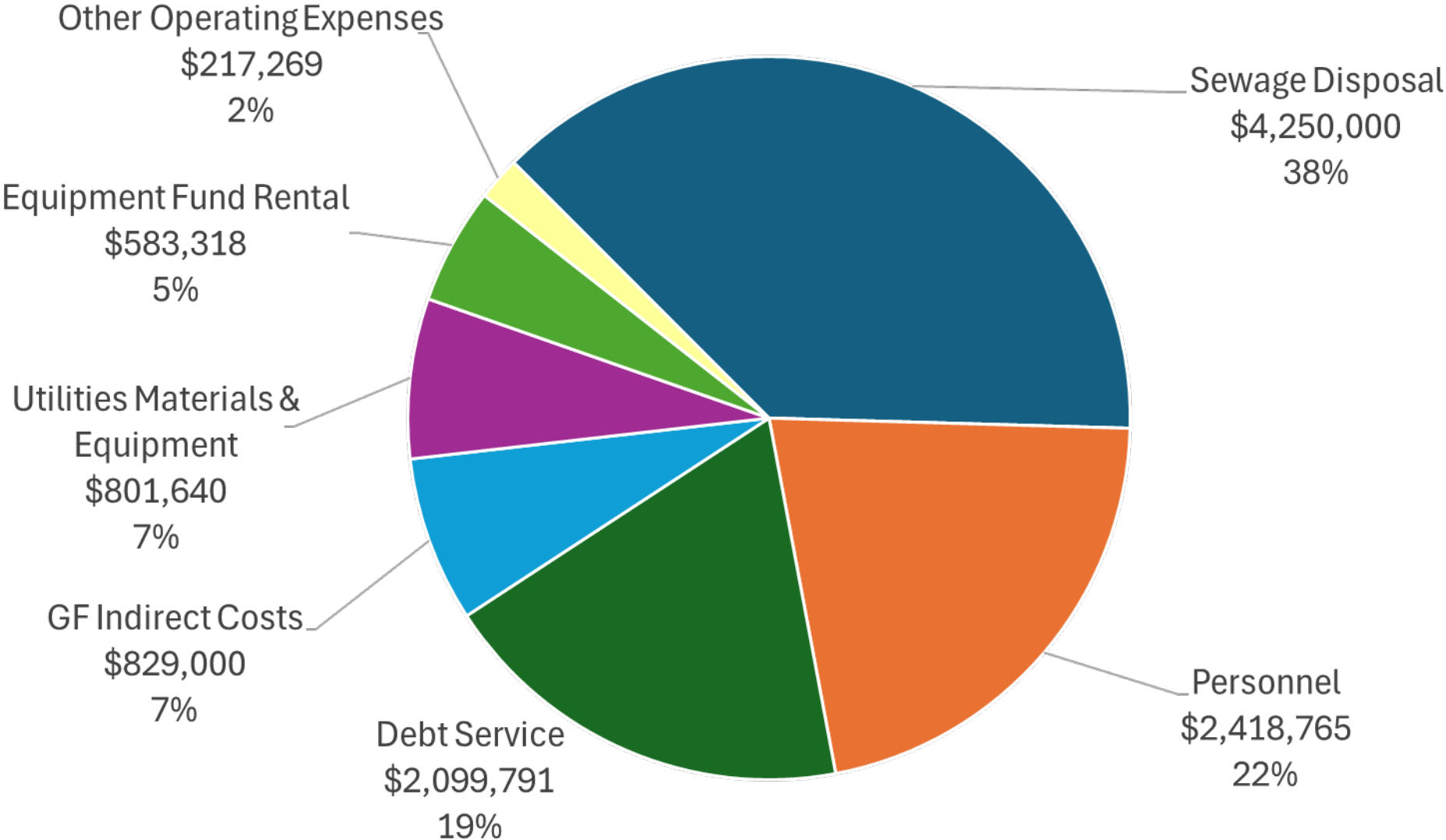
- The Township’s wholesale agreement with PWD allows PWD to periodically sample connection points and re-establish the “fixed factors” used to convert volume to pounds for TSS and BOD billing.
- **Recent testing resulted in significant increases to both BOD and TSS at most connections and has a profound effect on Township treatment costs, adding \$1.2 - \$1.3 million annually in added costs.**

Billing Charges	Pre-Strength Reval	Post- Strength Reval	\$ Change	% Change
Capacity/Other Charges	201,055	201,055		
Volume Charges	585,906	585,906		
BOD Charges	758,666	1,329,831	571,165	75%
TSS Charges	861,906	1,427,457	565,551	66%
10% MGMT Fee	240,753	354,425	113,672	47%
Total Estimated Charges	2,648,286	3,898,674	1,250,388	47%



Sanitary Sewer Fund Expenses

- Operating expenditures are projected to be \$11.2 million in 2026





Sanitary Sewer Fund Financial Forecast

Sewer Fund (Million \$)	2025 Actual*	2026 Forecast	26 vs. 25 \$ Change	26 vs. 25 % Change
Beginning Fund Balance	\$ 2.89	\$ 2.84		
Revenues & Transfers In	9.45	9.08	\$ (0.4)	-3.9%
Expenses & Transfers Out	9.49	11.20	1.71	18.0%
Surplus/(Deficit)	(0.05)	(2.12)		
Ending Fund Balance (Operating)	\$ 2.84	\$ 0.72	\$ (2.1)	-74.6%
Fund Balance % Of Expenses	30.0%	6.4%		

*Preliminary pre-audit financial results

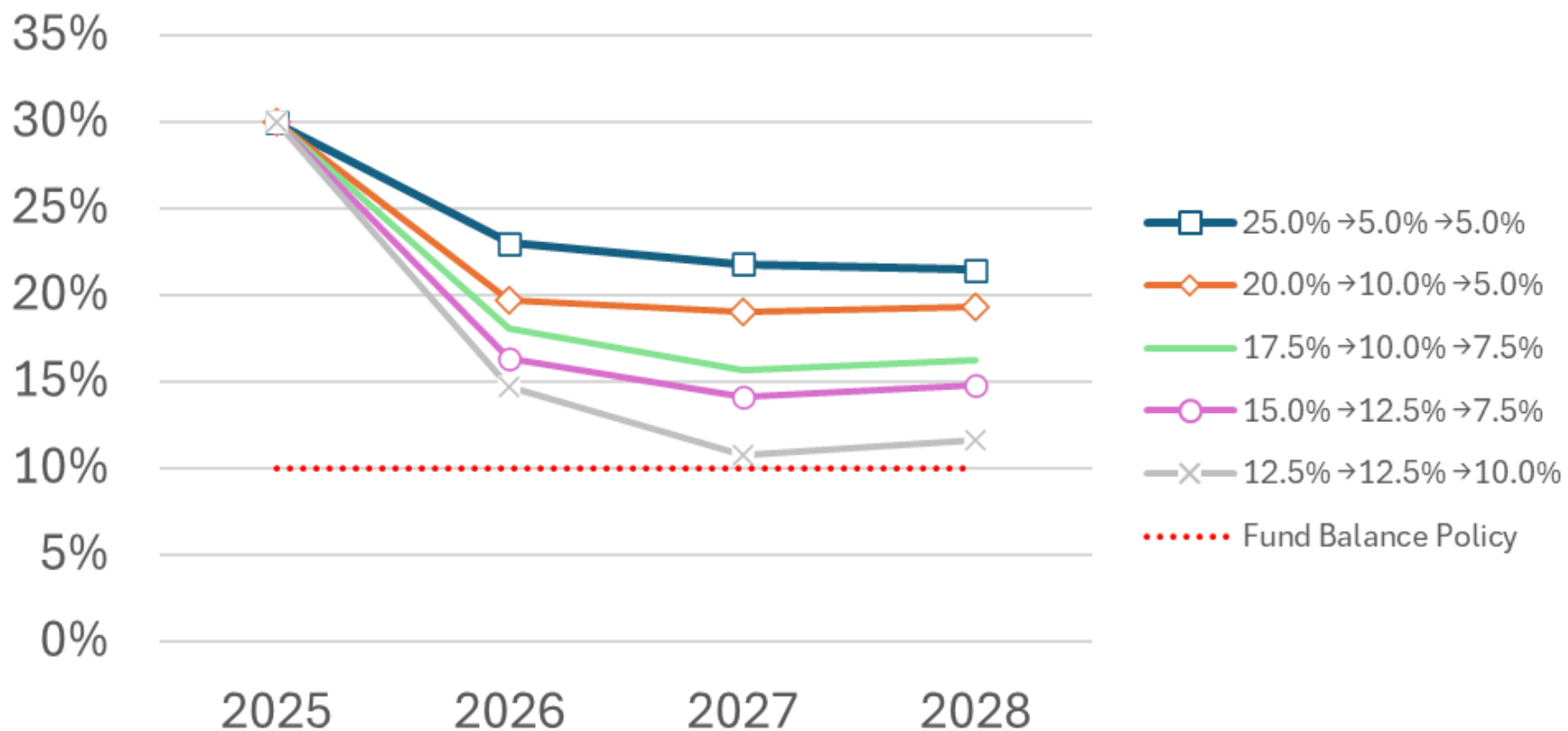
- Near break-even 2025 and healthy reserves put the SSF in a good position to tackle the issue across several years if desired
 - Revenues shown above with SSRF rate at current \$4.51 per 1,000 gal
 - Current rate not sufficient to maintain 10% fund balance threshold for 2026.



Sanitary Sewer Fund Financial Forecast

- Assuming BOD and TSS fixed factors remain at their new constants, Township sewer rental rates will need to increase approx. 35% in the next three years to close structural deficit and keep up with inflation

Projected Fund Balance Trajectories with Various Rate Increase Scenarios 2026-2028





Sanitary Sewer Fund Financial Forecast

- Table below shows impact of various rate increase thresholds based on typical residential usage volumes.

			2026 Fee at Given Usage				
Daily Usage (Gal)	Annual Gallons	2025 Fee @ \$4.51/1,000gal	\$5.07 - 12.5% Increase	\$5.19 - 15.0% Increase	\$5.30 - 17.5% Increase	\$5.41 - 20.0% Increase	\$5.64 - 25.0% Increase
100	36,500	\$165	\$185	\$189	\$193	\$197	\$206
150	54,750	\$247	\$278	\$284	\$290	\$296	\$309
250	91,250	\$412	\$463	\$474	\$484	\$494	\$515
			2026 vs 2025 - Fee Increase				
Daily Usage (Gal)	Annual Gallons		\$5.07 - 12.5% Increase	\$5.19 - 15.0% Increase	\$5.30 - 17.5% Increase	\$5.41 - 20.0% Increase	\$5.64 - 25.0% Increase
100	36,500		\$20	\$24	\$28	\$32	\$41
150	54,750		\$31	\$37	\$43	\$49	\$62
250	91,250		\$51	\$62	\$72	\$82	\$103



Sanitary Sewer Fund Financial Forecast

Sewer Fund (Million \$)	2026 Forecast	2027 Forecast	2028 Forecast
Beginning Fund Balance	\$ 2.84	\$ 2.02	\$ 1.79
Revenues & Transfers In	10.37	11.25	12.02
Expenses & Transfers Out	11.20	11.48	11.91
Surplus/(Deficit)	(0.83)	(0.23)	0.11
Ending Fund Balance (Operating)	\$ 2.02	\$ 1.79	\$ 1.90
Fund Balance % Of Expenses	18.0%	15.6%	15.9%

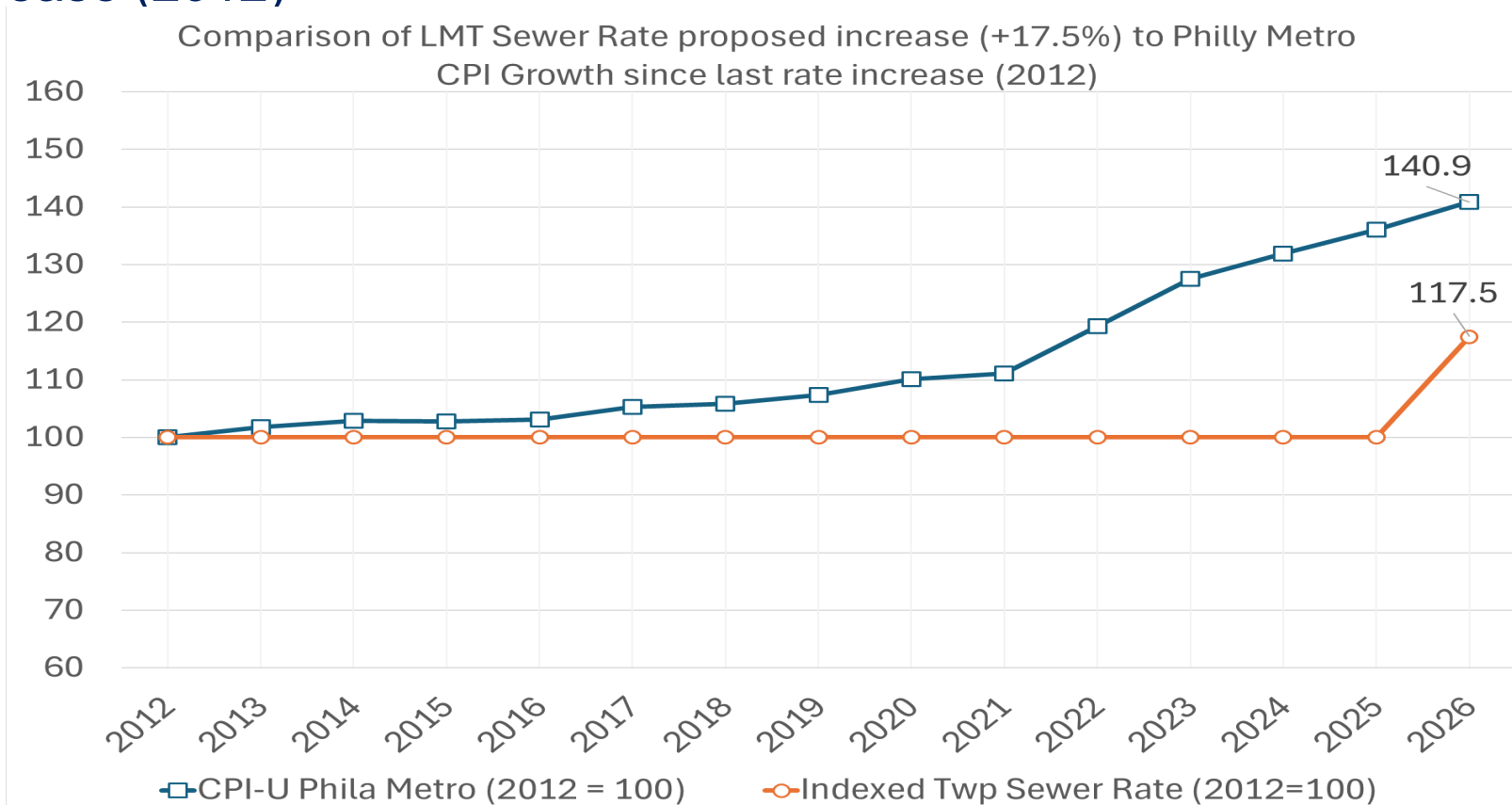
- Above projections assume the middle rate path of:
 - 2026: \$5.30 per 1,000 gallons (+17.5%)
 - 2027: \$5.83 per 1,000 gallons (+10.0%)
 - 2028: \$6.27 per 1,000 gallons (+7.5%)



Sanitary Sewer Fund Financial Forecast

Staff recommend the 17.5% rate increase (to \$5.30 per 1,000 gallons) as a near-match to the projected Sewer Fund expense increase in 2026 compared to the prior year.

- Rate growth still well outperforms regional CPI growth since the last rate increase (2012)





Proposed Sanitary Sewer Rental Fee

- Lower Merion's sewer rate would remain among the lowest when compared to other area municipalities' sewer rates that bill sewer based on water consumption (all per 1,000 gallons):
 - \$5.15 = Haverford Township
 - \$5.30 = Lower Merion Township (2026 Proposed)
 - \$10.25 = Marple Township
 - \$10.10 = Newtown Township District #2
 - \$11.32 – Newtown Township District #3
 - \$13.46 = Radnor Township



Proposed Sanitary Sewer Rental Fee

■ Next Steps:

- BOC approves advertisement of Ordinance adopting the 2026 SSRR and Public Hearing on April 22nd
- BOC holds Public Hearing and adopts Ordinance setting the 2026 SSRR on May 20th
- 2026 Sanitary Sewer Bills are mailed to customers around June 1st
 - 60 day discount period (2%)
 - 60 day flat period
 - 10% penalty after 120 days
 - 20% penalty beginning December 1st



Sanitary Sewer Fund Financial Forecast

Sewer Fund (Million \$)	2026 Forecast	2027 Forecast	2028 Forecast
Beginning Fund Balance	\$ 2.84	\$ 1.83	\$ 1.61
Revenues & Transfers In	10.19	11.25	12.03
Expenses & Transfers Out	11.20	11.48	11.91
Surplus/(Deficit)	(1.01)	(0.22)	0.12
Ending Fund Balance (Operating)	\$ 1.83	\$ 1.61	\$ 1.73
Fund Balance % Of Expenses	16.4%	14.0%	14.5%

- Above projections assume the rate path of:
 - 2026: \$5.19 per 1,000 gallons (+15.0%)
 - 2027: \$5.84 per 1,000 gallons (+12.5%)
 - 2028: \$6.28 per 1,000 gallons (+7.5%)



Sanitary Sewer Fund Financial Forecast

Sewer Fund (Million \$)	2026 Forecast	2027 Forecast	2028 Forecast
Beginning Fund Balance	\$ 2.84	\$ 1.65	\$ 1.22
Revenues & Transfers In	10.00	11.05	12.04
Expenses & Transfers Out	11.20	11.48	11.91
Surplus/(Deficit)	(1.20)	(0.43)	0.13
Ending Fund Balance (Operating)	\$ 1.65	\$ 1.22	\$ 1.35
Fund Balance % Of Expenses	14.7%	10.6%	11.3%

- Above projections assume the rate path of:
 - 2026: \$5.07 per 1,000 gallons (+12.5%)
 - 2027: \$5.70 per 1,000 gallons (+12.5%)
 - 2028: \$6.27 per 1,000 gallons (+10.0%)